



Catastrophic Crop Insurance (CAT)

Catastrophic crop insurance is designed to provide producers a financial "safety net" against the risk of major crop loss. Unlike disaster assistance programs that catastrophic crop insurance replaces, the level of protection is known in advance and "triggers" on an individual basis. If a producer chooses not to obtain CAT coverage, the producer must agree, in writing, to give up eligibility for emergency crop disaster assistance.

The Yield Guarantee

The insurance guarantees 50% of the producer's average yield. If a producer has production records for the most recent four or more years, the yield guarantee will be 50% of the simple average yield for those years.

Thus, if a producer's four (or more) year corn yield average has been 100 bushels per acre, the catastrophic crop insurance policy will guarantee 50 bushels.

If producers do not have production records, their yield guarantee will be based on their yields (for the years they have records) and a percentage of a transitional yield for the years that records are unavailable.

Producers are strongly encouraged to provide production records. In most cases, this will result in a higher yield guarantee.

Payment For Losses

For each unit of production that the yield of an insured crop is below the yield guarantee, the indemnity payment will be 60% of the expected market price established for that crop.

Example:

If a corn producer with a yield guarantee of 50 bushels per acre is able to harvest only 30 bushels per acre and if the expected market price established for corn is \$2.50 a bushel, the indemnity payment per acre will be calculated by multiplying the 20 bushel per acre loss by \$1.50 (60% of \$2.50). The indemnity payment will be \$30 per acre.

Cost of Catastrophic Crop Insurance

The only cost to the producer is an annual processing fee of \$50 per crop per county up to \$200 per county. In the case of limited resource producers, the processing fee may be waived.

Causes of Loss Covered

The catastrophic level of crop insurance covers unavoidable causes of loss (e.g., drought, excess moisture, flooding, hail, wind, fire, insects and disease).

Where to Purchase

The catastrophic level of crop insurance can be purchased either at the producer's local Farm Service Agency (FSA) office or from an agent of a private crop insurance company.

CAT protection is only available from private insurance agents in these States: Arizona, Colorado, Illinois, Indiana, Iowa, Kansas, Minnesota, Montana, Nebraska, North Carolina, North Dakota, South Dakota, Washington, Wyoming. Local FSA offices can also provide a list of crop insurance agents.

Deadline to Apply

Producers should consult their crop insurance agent or local USDA office to determine the appropriate deadlines.

Producers' Responsibilities

These include:

- applying for insurance by no later than the applicable deadline.
- providing available production records for calculation of yield guarantees.
- paying the processing fee, unless waived.
- filing an acreage report by the applicable date.
- providing prompt notification of losses.
- certifying the amount of loss and the cause of that loss.
- reporting production following harvest.

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